

## **INVESTMENT POLICY**

### **I. Policy Statement and Scope**

This document will govern the investment activities of the Public Library. It is the policy of the Library to invest public funds in a manner that will provide the highest return with the maximum security while meeting cash-flow demands. All investments will conform to applicable laws and regulations governing the investment of public funds.

### **II. Investment Objectives**

The primary objectives of the Library's financial investments, in priority order, are:

- **Legality** – All investments shall conform to applicable federal, state, and other legal requirements.
- **Safety of Principal** – All investments shall be undertaken in a manner that seeks to preserve capital. The objective will be to mitigate credit risk and interest-rate risk.
- **Liquidity** – The Library's investment portfolio will remain sufficiently liquid to enable the Library to meet all operating requirements that might be reasonably anticipated.
- **Return on Investments (Yield)** – The Library's investments will generate the highest available return without sacrificing the first three objectives outlined above.

a. **Credit Risk:** The Library will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in Section VIII of this Investment Policy.

Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Library will do business in accordance with Section VII.

- Diversifying the investment portfolio in accordance with Section IV.

b. **Interest Risk:** The Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, or money market mutual funds and limiting the average maturity of the portfolio in accordance with this policy. (see section VIII).

### **III. Delegation of Authority**

Management responsibility for the Library's investment program is hereby delegated to the Treasurer, who is the Library's Chief Financial Officer. The Treasurer shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer.

### **IV. Diversification of Investments**

The Library shall diversify its investments to the best of its ability based on the type of funds invested and the cash-flow needs of those funds. Diversification can be achieved by the type of investment, number of institutions, and length of maturity.

### **V. Internal Control**

The Treasurer is responsible for establishing and maintaining internal control to insure that the assets of the Library are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

### **VI. Reporting**

The Treasurer shall provide monthly investment reports to the Library Board that clearly provide the following information regarding the investment portfolio: types of investments, depository institutions, principal balances, rates of return, and maturities.

### **VII. Designation of Depositories**

All public funds of the Library Board shall be deposited in the designated depositories located in the territorial limits of the Library District. (IC 5-13-8-9)

### **VIII. Permitted investments**

The Treasurer is authorized to invest Library funds in the following (IC 5-13-9):

1. Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by
  1. The United States Treasury;
  2. A federal agency;
  3. A federal instrumentality;
  4. A federal government-sponsored enterprise.
2. Discount notes issued by any of the following:
  1. A federal agency;
  2. A federal instrumentality;
  3. A federal government-sponsored enterprise.
3. Repurchase Agreements (including standing repurchase agreements, commonly known as sweep accounts):

1. With Depositories designated by the State Board of Finance as depositories for state investments under IC 5-13-9.5; and
2. Involving the political subdivision's purchase and guaranteed resale of any interest-bearing obligations issued; or fully insured or guaranteed by the United States, a United States government agency, an instrumentality of the United States, or a federal government-sponsored enterprise.

The depository shall determine daily the amount of money in this type of agreement that must be fully collateralized by interest-bearing obligations as determined by their current market value. The collateral is not subject to the two-year maturity limitation.

Repurchase agreements may be entered into for a fixed term or arranged on an open or continuing basis as a continuing contract that:

1. Operates like a series of overnight repurchase agreements (may be referred to as overnight sweep products);
2. Is renewed each day with the repurchase rate and the amount of funds invested determined daily; and
3. For this purpose is considered to have a final maturity of one day.

The Treasurer shall annually obtain the approval of the Library Board before making investments in the following:

4. Money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Library and available for investment. The portfolio of this type must be limited to the following:
  - a. Direct obligations of the United States.
  - b. Obligations issued by any of the following:
    - A federal agency.
    - A federal instrumentality.
    - A federal government-sponsored enterprise.
  - c. Repurchase agreements fully collateralized by obligations described in both a and b above.

The money market mutual fund must be rated as one of the following:

- a. Aam, or its equivalent, by Standard and Poor's Corporation.
- b. Aaa, or its equivalent, by Moody's Investors Service Inc.

The investment is considered to have a stated final maturity of one day, and shall be made through depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9-8.

5. TrustINDiana – the purpose of TrustINDiana is to allow local units of government to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment. TrustINDiana was authorized by the Indiana General Assembly's passage of Indiana Code 5-13-9-11 during its 2007 session. The Indiana Treasurer of the State has been designated by statute as the administrator of TrustINDiana. TrustINDiana only invests in securities and investments that are permitted by Indiana law. Safety is further enhanced by limiting the term of the specific investments, asset class diversification, as well as the weighted average maturity of the entire portfolio to correspond conservatively with cash flow expectations and to mitigate any market timing risk.

### **1. Investment Rate Quotes**

Whenever investments are made in a certificate of deposit, quotes of the specific rates of interest for the term of the CD will be obtained. The quotes will be recorded in a memorandum and retained as a public record. The deposit will be placed with the designated depository quoting the highest rate of interest for the selected period. If two depositories tie for the highest quote, the deposit may be placed in any or all of the designated depositories quoting the highest rate at the fiscal officer's discretion. (IC 5-13-9-4)

### **IX. Interest Earnings**

All interest derived from an investment by the Library's fiscal officer shall be receipted to the fund of which they are a part.

### **X. Prohibited Investments**

The fiscal officer may not purchase securities on margin or open a securities margin account for the investment of Library funds. (IC 5-13-9-9)

The fiscal officer may not purchase foreign investments.

### **XI. Conclusion**

This policy has been promulgated by the Indianapolis-Marion County Public Library to formalize prudent investment policies and procedures that will meet the investment objectives of the Library.

This policy is to be reviewed by the Treasurer as new investment legislation becomes law, as staff expertise changes, and/or as necessitated by other external and internal factors.

Date Year